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How to Land Donor-Advised Fund Gifts

The rules keep fundraisers in the dark, but some groups are breaking through to donors.

By Eden Stiffman
Chronicle reporter

Fundraisers are not shy about their complicated feelings about the fastest-growing segment of philanthropy.

At a recent Association of Fundraising Professionals conference, a session titled “DAFs Are Not a Four-Letter Word” set the tone. A community-foundation executive asked a room full of fundraisers how they *really* feel about soliciting money from donors who give through donor-advised funds.

“It’s a complete black hole,” one fundraiser said.

“It’s very frustrating,” said another.

“It doesn’t feel good from a relationship standpoint,” a third chimed in.

Tapping into DAFs is becoming a fundraising imperative. The accounts held by financial institutions, community foundations, and other organizations hold billions of donor dollars waiting to be channeled to charities.

Donor-advised funds took in more than \$37 billion in 2018, up more than 20 percent from 2017, according to an analysis from the National Philanthropic Trust. Those funds accounted for 12.7 percent of charitable giving from individuals in 2018. The top 10 DAFs alone took in \$21.5 billion that year, up 24.7 percent from 2017, a *Chronicle of Philanthropy* analysis found. That’s more than the combined total cash and stock donated to the top 18 charities that year.

But getting this money is hard, in part because donor-advised funds have no required payouts, unlike foundations, which must give at least 5 percent of their assets each year. Critics argue this leads to the stockpiling of charitable contributions that do little to benefit the public, even

though donors have already received significant tax breaks with their gifts.

Still, even without the payout rules, donors are channeling a lot of money from their funds into charity hands. In several recent years, Fidelity Charitable, the largest DAF sponsor, surpassed the Bill & Melinda Gates Foundation in its grant making. In 2018, Fidelity account holders gave \$4.8 billion, compared with Gates’s \$4.6 billion.

“As fundraisers, we’re going to have to kind of accept the fact that we can’t stop these donors from getting donor-advised funds,” says Rachel Earl, chief development officer at St. Labre Indian School, which runs several Catholic schools for Northern Cheyenne and Crow children in Montana. “Our responsibility is to communicate with them on how to use that donor-advised-fund account now that they have it.”

‘Fishing in Your Own Pond’

So what can charities do to tap into this wealth and encourage DAF account holders to put more of their dollars to work?

“You have to go fishing in your own pond,” says Earl. Many of your current donors likely already give this way, even if you don’t know it, she says. You find out they have a DAF either because you receive a gift or because they tell you.

St. Labre, which has donors in all 50 states, added messages to its direct-mail reply forms, email appeals, website, and newsletters telling donors that if they have a DAF account, the charity is eligible to receive those funds. At the end of the 2019 fiscal year in June, her nonprofit had raised \$285,000 in DAF gifts, up 27 percent over 2018. It’s not

a huge figure for the organization, which raised \$50.5 million last year, according to Earl, but adding the DAF message to mailings the group already planned to send didn’t cost anything.

Oxfam America is also charting an increase in donations from DAFs. In 2014, a little more than 1 percent of the charity’s donors gave through DAFs — contributions that represented about 10 percent of all revenue that year. By 2018, about 2.3 percent of donors gave through DAFs, contributing about 14 percent of revenue.

“As donor-advised funds increase in popularity, we’re seeing a wider, larger portion of the overall donor population that’s making gifts in this way,” says Victoria Smith, Oxfam

TAKEAWAYS

- An easy way to start to raise money from DAF holders is to include a message in fundraising materials that they are eligible to receive grants from donor advised funds.
- DAF donors may be less likely than others to respond to fundraising appeals, according to a survey conducted by Penelope Burk, to be released early this year.
- Think about how best to record DAF information — including both donor and fund-account names. Good record keeping makes it easier for nonprofits to track the behavior of donors who give via DAFs.

Amount of Money Awarded in 2018

Fidelity Charitable	\$4,800,000,000
Bill & Melinda Gates Foundation	\$4,600,000,000

Source: National Philanthropic Trust

America's associate director of high-impact giving.

While the number of donors who make large gifts from their DAFs is holding steady, the number of donors who gave \$250 to \$999 through DAFs has increased 60 percent.

Experiment and Track Data

DAF donors aren't all that different from everyone else; they just have one more option for making charitable gifts, says Jack Doyle, CEO and president of the fundraising consultancy Amergent. But still, savvy fundraisers are running tests to figure out if DAF donors behave differently and how best to communicate with them.

To do that, charities need to set up systems to track donors who give through donor-advised funds and analyze their behavior over time.

Oxfam America is adding a check box to marketing materials and reply forms for donors to indicate that they are giving through a DAF and a section for them to provide the name of their fund. The organization hopes that information will improve record keeping. Although it's a challenge to determine exactly what triggered a DAF gift, donors' responses will help the charity better understand how many of their DAF gifts come from donors who receive — and might be responding to — marketing materials. “That will be a really important place for us to start uncovering that information,” Smith says.

Because donors receive their tax benefit when they put money into a fund, they don't have the same incentive to make donations at the end of the calendar year as other supporters do. But many donors continue to do so out of routine, says Lawson Bader, chief executive of DonorsTrust, a fund sponsor whose accounts primarily support conservative and free-market causes. “The reality is that we are creatures of

habit,” Bader says. “We oftentimes are doing 25 to 30 percent of our annual grants in the first couple of weeks of December.”

Regardless of when donors give, fundraisers should work to stay connected to DAF donors year-round, encouraging both single grants and recurring donations, consultants say.

“There is a lack of consistent year-round donor stewardship practices being followed in general when it comes to donors with a DAF giving account,” says Doyle, the consultant.

Arm's-Length Giving

DAF donors may be less inclined to respond to appeals than donors who give in other ways, according to new research from Penelope Burk, a consultant who studies donor behavior.

Of the more than 12,000 donors who completed her annual survey in the fall of 2019, 2 percent had a DAF. Survey participants were asked whether they made all of their charitable gifts unsolicited, as a result of appeals, or a combination of the two. The majority said a combination of the two. But donors with DAFs were more likely than others to be among the 21 percent who said they didn't respond to fundraising appeals, suggesting that they may be tougher to influence.

DAF gifts to St. Labre tend to be larger than other contributions to the school, on average. The charity also finds that many DAF donors continue to give through other means as well. “They don't just switch,” says Earl. “They do it in addition to.”

DAF donor anonymity remains a sticking point for many fundraisers, who may receive a check from a fund sponsor that can't be attributed to a specific donor. Some fund sponsors offer donors the choice to opt-in to have their personal information shared, while others provide that

information by default, giving donors the choice to opt out.

“Donor-advised funds offer donors the option to be more disconnected from the organizations that they support and to have that anonymity,” says Smith, the Oxfam America fundraiser. But that's typically not the case. “We also have donors that see it as a useful vehicle for managing their finances and their philanthropy while also engaging with organizations that they support.”

Oxfam America recently secured one of its first seven-figure gifts in many years. The donor gave through a donor-advised fund. Charities shouldn't get so hung up on their inability to cultivate some of their DAF donors for lack of information, says Earl, the St. Labre fundraiser. “At the end of the day, we're looking for the funds, and you're obviously doing something right if this donor is still choosing to give to you.”

She has strong words for fundraisers who grumble that DAF money isn't reaching charities.

“We can't complain about that money sitting there not being dispersed if we're not doing something proactive to get those funds out to the mission,” she says. “If they're not gonna ask for them, somebody else is. And that'll be me.”

97%

Share of nonprofits that have received a foundation grant in the past three years

89%

Share of nonprofits that have received a gift from a donor-advised fund in the past three years

12.7%

Share of all charitable giving that went into donor-advised funds in 2018

SOURCE: CENTER FOR EFFECTIVE PHILANTHROPY, NATIONAL PHILANTHROPIC TRUST

